

Message Text

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71

ACTION EB-11

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7159

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E. O. 11652: N/ A

TAGS: ENRG, EC

SUBJECT: ADA NEGOTIATIONS WITH GOE

REF: GUAYAQUIL 386

1. SUMMARY

REPRESENTATIVES OF THE ADA OIL CONSORTIUM SPENT APRIL 6-12 IN QUITO DISCUSSING WITH OFFICERS OF THE MINISTRY OF NATURAL RESOURCES THE GENERAL OUTLINES OF AN ARRANGEMENT BY WHICH ADA MIGHT REACH A CONTRACTUAL ARRANGEMENT TO REPLACE THE CONCESSION CONTRACT CANCELLED BY THE GOE IN NOVEMBER 1972. THE CONSORTIUM REPRESENTATIVES HAD LIMITED OBJECTIVES FOR THIS VISIT, WHICH WAS DEVOTED TO EXPLORING GOE INTENTIONS AND ALSO TO MAKING DECISIONS ABOUT WHICH OF THE MANY ECUADOREAN LAWYERS RETAINED BY THE VARIOUS CONSORTIUM MEMBERS SHOULD CONTINUE TO REPRESENT THE GROUP. THEY EXPRESSED THEMSELVES SATISFIED THAT THE GOE NOW GENUINELY DESIRES SERIOUS NEGOTIATIONS LEADING TO RESUMPTION OF WORK ON THE ADA CONCESSION; BELIEVE MUCH ADDITIONAL EDUCATIONAL WORK WILL BE NECESSARY BEFORE GOE UNDERSTANDS THE SPECIAL ECONOMIC AND FINANCIAL REQUIREMENTS FOR DEVELOPMENT OF A GAS FIELD, AND PLAN TO RETURN TO ECUADOR APRIL 24 FOR ADDITIONAL DISCUSSIONS.

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END SUMMARY

2. ON APRIL 6, 1973 MR. ROBERT PHILLIPS, PRESIDENT OF THE VICKERS CORPORATION, ARRIVED IN QUITO HEADING A DELEGATION OF REPRESENTATIVES OF THE ADA CONSORTIUM. THE VISIT WAS UNDERTAKEN FOLLOWING ADVICE BY LOCAL ADA LAWYERS THAT THE GOE WAS PREPARED TO OPEN DISCUSSIONS LEADING TO THE RESUMPTION OF THE CONSORTIUM OPERATIONS IN THE GULF OF GUAYAQUIL. THIS NEWS ROUGHLY COINCIDED WITH THE PUBLICATION BY THE GOE OF DECREES CONTAINING THE CONTRACT FORMATS FOR THE NEW SERVICE, ASSOCIATION OR CONCESSION CONTRACTS WHICH ALL OIL COMPANIES IN ECUADOR MUST SIGN, PRESUMABLY BY JUNE 6, 1973. (THESE CONTRACTS BEING REPORTED SEPARATELY).

3. THE OBJECTIVES OF THE VISITING GROUP WERE LIMITED. AT THE TIME OF THEIR ARRIVAL THEY HAD NOT SEEN THE FORMAT FOR THE NEW CONTRACTS AND WERE MORE INTERESTED IN DETERMINING IF THE GOE WAS SERIOUS IN ITS INTENTIONS TO DO BUSINESS WITH THE ADA GROUP. ANOTHER MAJOR OBJECTIVE OF THE VISITORS' WAS TO PUT THEIR OWN HOUSE IN ORDER. TENSIONS WITHIN THE CONSORTIUM HAVE LED THE PARTNERS TO APPOINT A NEW NEGOTIATING COMMITTEE WHICH DOES NOT INCLUDE A REPRESENTATIVE OF THE CONCESSION OPERATOR, ADA OIL COMPANY. ASSOCIATED WITH THIS REALIGNMENT BY THE PARTNERS WAS A DECISION TO RECONSTRUCT THEIR RELATIONS WITH SEVERAL ECUADOREAN LAW FIRMS WHICH HAVE REPRESENTED ONE OR ANOTHER OF THE PARTNERS, SOME OF WHICH NOW APPEAR TO BE POLITICAL LIABILITIES.

4. MR. PHILLIPS REPORTED TO EMBOFF THAT HE WAS SATISFIED THAT THE GOE WAS GENUINELY DETERMINED TO ENTER SERIOUS DISCUSSIONS WITH THE ADA GROUP. HE FELT THAT EXTENSIVE EDUCATIONAL WORK BY THE GROUP WOULD BE NECESSARY BEFORE GOE OFFICIALS COME TO AN UNDERSTANDING OF THE ECONOMIC AND FINANCIAL REALITIES REGARDING A DEVELOPMENT OF A GAS FIELD. CONSEQUENTLY, HE HAD NOT GONE INTO DETAIL WITH THE MINISTRY OF NATURAL RESOURCES OFFICIALS ABOUT THE SPECIFICS OF A POSSIBLE NEW CONTRACT. HE DID NOT REPORT THE NATURE OF ANY DECISIONS WHICH MAY HAVE BEEN MADE TO TERMINATE ANY LIMITED OFFICIAL USE

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OF THE LAW FIRMS REPRESENTING MEMBERS OF THE GROUP.

UPON DEPARTURE HE WAS FIRMLY SCHEDULED TO RETURN TO
ECUADOR APRIL 24 TO HAVE MORE INTENSIVE DISCUSSIONS
WITH THE GOE.

5. COMMENT

THIS WAS A HIGHLY SIGNIFICANT DEVELOPMENT IN THAT IT
REFLECTED THE FACT THAT, AFTER LONG DELAY, THE GOE
HAS FINALLY MADE A DECISION ON THE NATURE OF ITS
FUTURE PETROLEUM POLICY AND IS NOW PREPARED TO TALK TO
AND NEGOTIATE WITH FOREIGN OIL FIRMS. IT IS ALSO A
SIGN OF REALISM AND SOME POLITICAL COURAGE ON THE PART
OF THE GOE FOR IT TO RETURN TO NEGOTIATE WITH ADA
WHOSE CONTRACT WAS CANCELLED AFTER HEATED POLITICAL
CRITICISM. THE CONSORTIUM REPRESENTATIVES FELT IT WAS
FAR TOO EARLY TO DETERMINE IF THE GOE CAN ULTIMATELY
COME TO SIGN AN AGREEMENT, THE FORM OF WHICH IS
UNIMPORTANT, WHICH WILL MAKE EXPLOITATION OF THE OFF-
SHORE GAS FIELD FEASIBLE, BUT THE PRELIMINARY
INDICATIONS ARE ENCOURAGING.
BURNS

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